

2008 NATIONAL SUMMIT
ON AMERICAN COMPETITIVENESS:
Summit Synopsis

U.S. DEPARTMENT OF COMMERCE



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MESSAGE FROM COMMERCE SECRETARY GUTIERREZ



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

When it comes to innovation and economic competitiveness, America's leadership cannot be taken for granted in the 21st century. Nations across the globe are getting in the game, working to compete harder and create a climate for innovation and economic growth. President Bush is keenly aware of the vital need to keep America as the world leader in innovation and competitiveness and has led the way in conceptualizing and implementing policies that will best help our Nation respond to the competitive challenge.

The United States does have one overarching competitive advantage: freedom. We are a Nation where people are free to pursue their dreams of building better lives and bright futures for themselves and their families. This competitive advantage is attractive to innovators, entrepreneurs, and investors, and is the fundamental reason for America's historic leadership on the worldwide economic stage.

So how do we maintain America's leadership in the 21st century and beyond? How do we continue to make the United States the best country in the world in which to invest and do business? What types of public policies do we need to fuel America's innovative spirit and allow the private sector to be more dynamic, efficient, and competitive?

These are some of the questions that key business, government, and academic leaders from across the Nation addressed at the U.S. Department of Commerce's 2008 National Summit on American Competitiveness, held in Chicago, Illinois. Admirably planned and executed by Assistant Secretary of Commerce for Economic Development Sandy K. Baruah and his team at the Economic Development Administration, the Summit was truly a world-class event.

This report highlights some of the key ideas and best practices that surfaced during discussions at the Summit.

From my perspective, I believe there are at least three areas where the right government policies can help create an environment in which the United States can continue to lead the world economy: encouraging entrepreneurship, lowering trade barriers, and learning from the experiences of others.

Helping entrepreneurs and getting good ideas into the marketplace will require patent and trademark reform, which is critical for fostering innovation and entrepreneurship in the 21st century.

Trade barriers are one of the biggest obstacles to competitiveness. Free trade agreements can slash barriers to trade and investment and allow American exporters to compete on an even playing field, strengthening our leadership in the worldwide marketplace.

Learning, adapting, and succeeding are also critical. We can learn best practices from leaders who have found ways to expand their regional economies, such as effectively attracting foreign investment, germinating and nurturing new businesses, and retaining and transforming existing companies and institutions.

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Even in the midst of economic challenges, we can continue America's economic leadership if we make the right decisions. Based on our discussions at the 2008 National Summit on American Competitiveness, I am optimistic that we will. I hope you find this report on our dialogue in Chicago valuable as you work to do your part in strengthening America's position in the global marketplace.



Carlos M. Gutierrez

PANEL 1:

Roadmap for the Next Decade



Panel 1 (Pictured L to R): Sandy K. Baruah, Assistant Secretary of Commerce for Economic Development; Craig Barrett, Chairman of the Board, Intel Corporation; Deborah Wince-Smith, President, Council on Competitiveness; Maria Bartiromo, Anchor/Editor, CNBC; Michael Porter, Professor, Harvard Business School; Louis Gerstner, Retired Chairman and CEO, IBM Corporation; Jim McNerney, Chairman, President and CEO, The Boeing Company

INTRODUCTION

The modern United States economy has long been the envy of the world due to its persistent strength and stability as guided by our open, free market ideals. However, maintaining our leadership position on the worldwide stage will take much focus and work – it will not just happen. Developing smart public policies, particularly in the areas of enhancing education, reforming immigration policy, lowering health care costs, and investing in research and development, will allow the United States to retain its position as the most competitive economy in the world.

Maria Bartiromo, anchor and editor of CNBC's "Closing Bell with Maria Bartiromo" moderated a lively and productive discussion on the bold steps that the U.S. must take to stay at the top of its game.

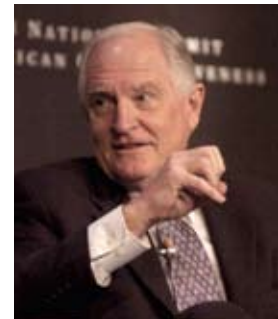
A Knowledge-Based Economy

Competition in the 21st century comes against the backdrop of a new and very different economy –

one that is increasingly knowledge-based. Success will be based on building a country with skilled workers that will deliver economic growth and economic competitiveness.

Noting that three billion more individuals have entered the global economic system in the past 10-15 years, Dr. Craig Barrett, Chairman of the Board of Intel, saw three keys to moving forward:

- ★ better education;
- ★ increased investment in R&D; and,
- ★ the right environment for people to take risks through tax breaks and immigration policy.



Craig Barrett, Chairman of the Board, Intel Corporation

However, the United States also possesses enormous strengths. It accounted for one-third of all of the world's economic growth over the past 20 years. In 2007, the United States also issued 80,000 patents as compared to a mere 800 in China. Harvard Business School Professor Dr. Michael Porter issued the challenge: "We can't be afraid or fearful. We have to be open to competition rather than close ourselves off from it... we really have to confront competitiveness strategically."

Speaking to what she saw as one of the "great transformational shifts in human history," Council on Competitiveness President Deborah Wince-Smith argued that the United States should not be afraid of the emerging world economies. Rather, the United States should continually innovate and create higher-value goods and services.

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WE HAVE TO BE OPEN TO COMPETITION
RATHER THAN CLOSE OURSELVES OFF
FROM IT ... WE REALLY HAVE TO CONFRONT
COMPETITIVENESS STRATEGICALLY.”



—Michael Porter,
Professor,
Harvard
Business School

The United States Education System

Panelists agreed that our current education system is one of the largest obstacles to seizing these opportunities. The statistics brought forward by the panelists are cause for alarm:

- ★ an estimated 70 percent of inner city children do not have a certified math teacher, compared to a national average of 30-40 percent;
- ★ about 70 percent of eighth graders cannot determine a probability using a calculator;
- ★ one American adult in five thinks that the sun revolves around the earth; and,
- ★ less than a third can identify DNA as a key to heredity.

“If a foreign country had foisted upon America the school system we have today, we would consider it an act of war,” said former IBM Chairman and CEO Louis Gerstner. He saw the problem as not one of money but of political will to take on the status quo and to make fixing education in the United States a national priority.



Louis Gerstner,
Retired Chairman
and CEO, IBM
Corporation

There are real world implications to competition in a society where 30 percent of the workforce does not graduate from high school. Jim McNerney, Chairman, President and CEO of The Boeing Company observed, “We have a responsibility to educate folks because they are not showing up at our companies as educated in the same quantities as they have historically relative to our competition... We’re not short of knowing what to do. We are short of the mandate and the political will to get it done.”

Meanwhile, China is producing about seven times more scientists and engineers than the United States does each year. On improving our education system, Wince-Smith also called for better vocational training to ensure that young Americans have a path for going into “the middle skills” that are important and in great demand in the marketplace.



Deborah Wince-Smith,
President,
Council on Competitiveness

Immigration Reform

Current immigration policy has also been a barrier to innovation and competition. Changes in immigration following 9/11 have had the unin-

tentional consequence of keeping out some of the best and brightest foreign minds from working in U.S. companies. Hundreds of thousands of high-tech professionals have left the United States to return to their own countries' intellectual centers. One option in reforming immigration is moving towards a "skill-based immigration policy."



*Jim McNerney, Chairman, President and CEO,
The Boeing Company*

Innovation

What are the barriers to innovation? Are there political, policy and regulatory barriers? Some believe it is important to look to other causes. Innovation is more than just science and engineering, but also bringing together all the different components of creativity and "game-changing ideas." "The marketplace does not reward innovation," said McNerney. "The issue is how to create an environment where creativity is nurtured and sponsored." Dr. Porter agreed that "the environment for innovation in the United States remains amazing," but it is being dragged down by other factors such as rising health care costs and a lack of reinvestment in a highly-skilled workforce.

Staying Competitive

To remain competitive and maintain its lead in innovation, Gerstner pointed to the role that the federal government has played in basic research and the critical need to allocate more resources to research. Dr. Barrett called for funding of the America Competes Act, recent legislation aimed at strengthening our scientific education and research, improving our technological enterprise, attracting the world's best and brightest workers, and providing 21st century job training. Ms. Wince-Smith focused on skills to ensure the United States has the workforce we need for innovation and 21st century manufacturing. Dr. Porter called for a strong and open international trading system and the need to address huge health care costs. Mr. McNerney also called on the next President to be committed to and to personally lead an open trading environment.



Maria Bartiromo, Anchor/Editor, CNBC

PANEL 2: *Entrepreneurship*

INTRODUCTION

Entrepreneurship is the great engine of economic growth in America. It is critical to job creation and innovation. However, our nation now finds itself shaped by an increasingly more competitive and interconnected world. It is important to promote and nurture the entrepreneurial spirit and leverage new ideas to help us stay competitive in the global marketplace. Ron Gidwitz, former CEO of Helene Curtis and Honorary co-chairman of the 2008 National Summit on American Competitiveness, moderated the panel to focus on what entrepreneurship is and what is needed to nurture it.



*Ron Gidwitz, Former CEO,
Helene Curtis*

Competitive Edge

John Koten, CEO and Editor-in-Chief of Mansueto Ventures, LLC, observed that the “U.S. is probably the most entrepreneurial country in the world.” However, it is important to distinguish between small businesses and entrepreneurship, which is a driver of business development.

Contrary to popular belief, the vast majority of small businesses do not contribute to employment. Rather, entrepreneurial growth companies create the most new jobs. Between 1995 and 1999, there were 11.5 million new jobs, of which 10.7 million—or 90 percent—were created by entrepreneurial growth companies.



Panel 2 (Pictured L to R): Beth Williams, President and CEO, Roxbury Technology Corporation; Steve Odland, Chairman and CEO, Office Depot; Jim Phillips, Managing Partner, Pinnacle Investments, LLC; Ron Gidwitz, Former CEO, Helene Curtis; Steve Chen, Co-founder and CTO, YouTube; John Koten, CEO and Editor-in-Chief, Mansueto Ventures, LLC; Sandy K. Baruah, Assistant Secretary of Commerce for Economic Development

The policy dialogue between “big business” and “small business” is not as critical as the policies that promote entrepreneurial companies. Many other countries are beginning this dialogue. Thus, it is important that the United States embrace an “entrepreneurial mindset” and revisit laws and policies in a different light.

Jim Phillips, Managing Partner of Pinnacle Investments, saw the next 20 years as a “very exciting time for businesses, startups, for entrepreneurs... incredible opportunities are right upon us in areas like solar energy and obviously wind and electrification of cars... it’s really a neat time to be alive.”

Leveraging Technology

U.S. industries are competing in a global market, but how can they leverage technology to stay competitive? One approach is embracing the openness and global reach of the Internet. Steve Chen, co-founder and CTO of YouTube described how his company’s technology is based on sharing content that is not limited by channel or by location. “Advertisers and marketers [are] using



Steve Chen, Co-founder and CTO, YouTube

[YouTube] as a platform, and it's revolutionary. We're seeing advertisers and content creators... get[ting] their brand name on to the Internet in a way that is convenient to them."

Technology can break down the barrier between provider and consumer. It is no longer necessary to "know the right person" in Hollywood to be in the music business or to share content with the world. "It's no longer who pays the most amount of money for the [Web] page, but the relevance of the content," said Chen.

"The Fertile Crescent"

What makes a region a hotbed for entrepreneurship? What kind of environment fosters creativity and business success? Silicon Valley is the model. It attracts varied kinds of talent including, but by no means limited to, engineers or technicians. All are beneficial to this vibrant entrepreneurial region.

Entrepreneurial businesses are created and thrive in regions that can offer:

- ★ individuals with startup experience, regardless of their field;
- ★ people with financial and business backgrounds;
- ★ professionals in intellectual property law; and,
- ★ venture capitalists.

"IT'S A VERY EXCITING TIME FOR BUSINESSES, STARTUPS, FOR ENTREPRENEURS ... INCREDIBLE OPPORTUNITIES ARE RIGHT UPON US IN AREAS LIKE SOLAR ENERGY AND OBVIOUSLY WIND AND ELECTRIFICATION OF CARS ... IT'S REALLY A NEAT TIME TO BE ALIVE."

— Jim Phillips,
Managing Partner, Pinnacle Investments, LLC



Financing Entrepreneurs

Liquidity and sources for financing are not the same for entrepreneurs as they are for larger, better established businesses. Calling the recent housing crisis an "incredible wakeup call," Steve Odland, Chairman and CEO of Office Depot, warned that the majority of his small business owners support their businesses by using their own credit cards, home equity lines of credit or home equity withdrawals through refinancing.

"We need people to take risks and in order to do that they need to be funded through other sources... public-private partnerships are necessary to provide seed capital and funding for these really smart risk takers."



Steve Odland, Chairman and CEO, Office Depot

Incubators and Public-Private Partnerships

Government's role in incubating small businesses was also discussed. Although many efforts have been left wanting, Mr. Phillips pointed to the successful business incubator called EmergeMemphis that has more than 25 startup companies at all times. Most of these new businesses share the same challenges and can learn from each other.

However, Phillips also cautioned that while globalization makes markets more accessible for businesses and entrepreneurs, it also ratchets up competition. He called for strengthening the relationship between universities and the private sector to boost innovation. Regions can benefit by combining areas rich with venture capital, incubators, or public-private partnerships. These can boost entrepreneurs through:

- ★ ideation,
- ★ invention,
- ★ innovation, and
- ★ execution.

Educating Entrepreneurs

How do we train entrepreneurs in the United States? John Koten pointed to the “tremendous interest on college campuses these days in the idea of owning and running a business.” Most of the panelists agreed that entrepreneurship is as much about a mind-set as a curriculum.



*John Koten, CEO
and Editor-in-Chief,
Mansueto Ventures,
LLC*



Beth Williams, President and CEO, Roxbury Technology Corporation

Many universities are building programs in entrepreneurship, but Beth Williams, President and CEO of Roxbury Technology Corporation commented: “It is a spirit you have to have – you have to be a risk taker. But I also think that you do need the knowledge.... So I think it’s sort of a combination of both.” Phillips agreed that there are certain things that “I don’t think you can teach” such as the “ability to assume risk and the stress that goes with it.”

Koten added that “there isn’t the depth of academic research and understanding of what makes an entrepreneurial company work, how to teach entrepreneurship, and I think that is something that is changing a lot.” Finding mentors was also linked to success. “Mentorship and having exactly the advisors and right people around you is essential,” commented Williams.



OFFICE OF THE MAYOR
CITY OF CHICAGO

RICHARD M. DALEY
MAYOR

NATIONAL SUMMIT ON AMERICAN COMPETITIVENESS
Luncheon Keynote
May 22, 2008

Thank you Secretary Gutierrez for hosting this important Summit. We are honored that the Department of Commerce chose to hold the Summit in Chicago. And I am pleased to serve as honorary co-chairman of this event with Ron Gidwitz.

I want to welcome all of you to our city. I hope that in addition to taking part in this conference, you will have the time to see and experience some of great things our city has to offer.

We have come here to talk about how to ensure that the United States will remain competitive in the 21st century and beyond.

It is a nice coincidence that earlier this week, Fast Company magazine – which has been reporting on innovation, leadership and social responsibility since 1995 – named Chicago its United States “City of the Year” for 2008.

Some of the things the magazine said about Chicago fit well with the theme and topics of this Summit. It said that amid worldwide economic uncertainty, Chicago is vibrant, creative and growing. And it says that Chicago isn’t easy to keep up with because it’s constantly reinventing itself. That’s a phrase I often use myself when I’m talking about our city and its success.

Over the last three decades, the world has shifted from a collection of regional or national economies to a truly global economy – as a result of technology, trade agreements, lower tariffs, better transportation and communication.

The future lies in international commerce in both goods and services, so Chicago has embraced globalization. But I also believe the essential idea on which cities must base their strategies for moving forward is simple: they must improve the quality of life for all their residents.

In its story, Fast Company says Chicago’s “lure and beauty” is its ability to take what was and figure out what could be. To me, that means seeing the possibilities in things, which is another way of saying “innovation.”

I believe Chicago has made great progress because we’ve addressed our problems head-on in a way that is pretty basic: if something doesn’t work, try something new.

And we have an impressive history of fostering innovation. We reversed the Chicago River. We invented the skyscraper. We built the first portable cell phone. And – oh yeah – we invented the zipper, too.

Today, I'm very proud that Chicago and the Midwest region have become a global center of intellectual capital. Our city boasts an abundance of new product and technology advancements with some of the world's leading companies.

And this progress has been made possible by a business community that is fully engaged in our goal of improving the quality of life for every resident of Chicago. In fact, I don't know of any other city where the relationship between government and business is stronger or more beneficial.

Let me give an example of a new cooperative effort that is under way to encourage the kind of innovation that will keep our economy competitive in the future.

"Innovate Now" is a collaboration of the Chicagoland Chamber of Commerce, state government and World Business Chicago, which is the not-for-profit economic development corporation I established to enhance the Chicago region's global position as a business location. The program brings together companies, academic institutions, and local and statewide governments to create new strategies for business success in Chicago and throughout Illinois.

This effort's goal is simple, but ambitious: to promote the knowledge and relationships that will produce ongoing business innovation, entrepreneurship and creativity. The strategy is to promote innovation leadership, build the talent pool and find new ways to measure innovation results. This is one of the ways we equip ourselves to make sure our city is competitive globally.

But the most important way we equip ourselves is not by seeing the possibilities in things, but by seeing the possibilities in people.

The single most important issue we deal with is education. Our hope for a better tomorrow starts with improving our schools and giving all our children an equal chance to dream and grow and realize their potential.

More than ever, a well-educated workforce is necessary to compete in the global economy and bring well-paid jobs to our city or any other city. If we don't produce such a workforce, we can't compete. It is as simple as that.

Thirteen years ago, faced with a Chicago Public Schools system that was broken, I asked the state government to give me the responsibility for fixing it. The system we inherited failed our children every day.

Since that time, we've worked hard to lift students' expectations. We have built new schools and renovated old ones. We returned to emphasizing the basics in curriculum, especially reading. We increased accountability in a way that benefits everyone.

We're opening charter and contract schools, military academies and single-sex schools.

We're breaking larger schools into smaller units, because many kids need a more intimate learning environment.

Test scores and graduation rates are up and drop-out rates are down. And last week we proudly announced that for the high school Class of 2007, 50 percent of our graduates were enrolled in college the following fall. That's an increase of 2.1 percentage points over the previous year, much higher than the national average. And it's up a total of 6.5 percentage points since 2004.

This is important progress for our students, our parents and teachers and for the entire system of public education in Chicago. As long as the arrow continues to point up for our students, our city's competitive future will be bright.

But at the same time we are educating them for the jobs of the future, we must work equally hard to provide the things that, in addition to an educated workforce, will attract businesses to our area.

I believe the future belongs to the cities that recognize the two desires of modern-day men and women. They want to live in metropolitan areas because they provide more opportunities, more choices and more people. And they also want open space, nice parks, clean beaches, jogging paths, bike trails, flowers, trees and grass. They want clean and pure water. They really are concerned about global environmental issues, as every public opinion poll shows.

We know we must provide these things if we expect to attract the people who make up the modern workforce.

So we have undertaken hundreds of initiatives aimed at making Chicago the most environmentally friendly city in the world. Let me give you just a few examples of things we have done here over the years to improve the natural environment and make people's lives better:

- I organized mayors of U.S. and Canadian cities into the Great Lakes and St. Lawrence Cities Initiative, which lobbies in Ottawa and Washington, D.C. on behalf of legislation involving issues such as invasive species, sewage overflows, toxic contamination and water levels.
- The City has installed rooftop gardens on City buildings to collect rain water, lower temperatures in the summer and reduce the amount of energy needed to cool our buildings - and we are encouraging private building owners to do the same. We now have more than 300 gardens and green roofs that have been constructed or are underway covering more than 4 million square feet on public and private buildings in Chicago.
- We have added more than 200 acres of new parks and green space throughout the city, including more than 100 campus parks. And we have installed 80 miles of landscaped medians on major streets.
- We have implemented a new set of environmentally sensitive construction standards for public buildings that will ensure healthier indoor environments, reduce operating costs and conserve energy.

- We have created the most aggressive program in the nation to transform brownfields into new green spaces, affordable housing, manufacturing centers and industrial facilities.

The point is this. Every day in government, we have to make difficult choices between what we want to do and what we have to do, and keep the best interest of the taxpayers foremost in our minds.

And this has led us to a very important conclusion in Chicago. Environmentalism makes economic sense. When a city exists in harmony with its environment, it simply looks better and feels better. And we know that shows up on the financial bottom line.

So these are some of the key elements I see in the efforts of any city or any country to remain competitive into the future: innovation, education, environmentalism and a collaborative spirit.

If a city's actions are aimed at improving the lives of its residents, if people work hard and work together, then that city will be a vibrant place that almost by definition creates the conditions for a thriving economy.

There is one final point I would like to make about the near future. Competing globally requires vision and big dreams.

We have a big plan for 2016, and it's to bring the Olympics and Paralympics to the United States. I try to take advantage of every chance I get to engage people in this effort and to ask for their help in bringing the Games here.

The Olympic Games presents our city, the Midwest region and the entire country with a unique opportunity not only to attract hundreds of thousands of visitors but also to place ourselves – through the media – in the homes of millions of people all around the world.

It's a chance for the United States – through the vehicle of the Olympic and Paralympic Games and the Olympic Movement – to portray itself as it truly is: a place where people from different backgrounds and ethnicities can come together to pursue their dreams.

The Games would generate international good will and help create new businesses and jobs for the hard-working people of our city and our country.

In January, we formally submitted our applicant file to the International Olympic Committee along with six other applicant cities. In early June, the IOC executive board will decide which cities will move on to phase two of the selection process and become candidate cities. The IOC will make its final selection in October, 2009.

Remember, this is not just Chicago's bid – it's our nation's opportunity to reach out to the world. I hope you can give us your support as well.

Again, thank you for holding your meeting here and for giving me the chance to talk with you.

PANEL 3:

Utilizing Free Trade Agreements



Panel 3 (Pictured L to R): Sandy K. Baruah, Assistant Secretary of Commerce for Economic Development; Matthew Slaughter, Professor of International Economics, Dartmouth College; James Owens, Chairman and CEO, Caterpillar Inc.; John Engler, President and CEO, National Association of Manufacturers; Rick Goings, Chairman and CEO, Tupperware Brands Corporation; Robert W. Lane, Chairman and CEO, Deere & Company

INTRODUCTION

Currently, the United States has free trade agreements with 11 countries, and three more pending before Congress. Yet, despite criticism of free trade agreements, the facts remain: Half of the growth in the U.S. economy in 2007 was the result of trade.



John Engler, President and CEO, National Association of Manufacturers

Led by John Engler, President and CEO of the National Association of Manufacturers and three-term Governor of Michigan, the panel discussed the benefits of free trade. Participants whose companies are benefiting enormously from globalization discussed how free trade agreements spur competition, improve lives around the world, and result in higher-paying jobs. They also explored ways to “tell the story” about free trade to build support for what is a fundamental aspect of economic growth in the 21st century.

Unleashing Opportunities

Governor Engler pointed out that 95 percent of potential customers for American companies do not call America home. There are many opportunities for business overseas, and those opportunities are unleashed when tariffs and trade barriers are lifted.

One example is the Central America Free Trade Agreement, or CAFTA. Following its approval in 2005, “the United States went from providing one-way access imports from Central America to a bilateral trade agreement ... [and] our \$1.3 trillion deficit has changed to a surplus of \$3.7 billion,” said Governor Engler. Other cases abound:

- ★ CAFTA is in its early stages, but trade between the participants and the United States is up 23 percent.
- ★ The U.S.-Chile Free Trade Agreement, implemented five years ago, increased trade between the two countries by more than 180 percent.
- ★ The North American Free Trade Agreement (NAFTA) entered into force 15 years ago, boosting trade between the U.S., Canada and Mexico by 200 percent.

World Without Borders

Globalization spurs competition and raises productivity and living standards of people in countries that open themselves to the global marketplace. For less developed countries, free trade offers access to foreign capital, global export markets and advanced technology. Faster growth, in turn, reduces poverty while promoting democratization as well as higher labor and environmental standards.

Rick Goings, Chairman and CEO of Tupperware Brands Corporation, said that free trade is just one mechanism that helps close the gap between the developed and undeveloped parts of the world. At some point, he said, it becomes clear that “there are no such things as borders. They’re porous.”

Many of Tupperware’s salespeople are women in Mexico, Russia and Sub-Saharan Africa, he said. “We teach each salesperson how to take care of herself, how to become an entrepreneur. We teach her to believe she has the potential to grow that business. Then she teaches others. That’s why governments have largely wanted us to come to their markets,” he said. “We spend most of our time trying to improve the economic state of the world.”



Robert Lane, Chairman and CEO, Deere & Company

“Not a Zero Sum Game”

Countries that participate in free trade agreements accrue economic benefits across all sectors of their economies. Robert W. Lane, Chairman and CEO of Deere & Company, pointed out that trade “is not

a zero sum game.” A top priority of Deere & Company, one of the world’s leading manufacturers of farm equipment, is to extend its brand to a wider

“FREE TRADE IS JUST ONE MECHANISM ... THERE ARE NO SUCH THINGS AS BORDERS. THEY’RE POROUS.”

—Rick Goings,
*Chairman and CEO,
Tupperware Brands Corporation*



*Rick Goings, Chairman and CEO,
Tupperware Brands Corporation*

global audience. Deere & Company is succeeding in this mission, having nearly doubled its sales outside the United States and Canada, and selling about 25 percent of its products overseas. “Our United Autoworker colleagues are proud when they see a combine being built, being shipped to Russia,” he said.

About a quarter of the world lives on between \$1 and \$2 a day, yet as economies improve through greater productivity and efficiency, lives improve. “The opportunity for U.S. farmers and the laborers who build equipment to serve those farmers to support and serve those people is a fabulous humanitarian opportunity,” Lane said.

According to Lane, free trade agreements benefit all of the nations involved. He noted that after NAFTA was passed, United States agricultural produce shipped to Canada and Mexico increased 156 percent.

Telling the Story

Trade creates jobs directly by expanding the potential market overseas for goods and services produced in the United States. It also creates jobs indirectly, in support of export activities or as the result of increased economic activity associated with trade. Production and employment are also supported by expanded access to raw materials and goods. In addition, jobs created by trade in the United States tend to offer higher pay and demand greater skills. It is critical to tell the story about benefits accrued in the United States.

“Last year, 63 percent of Caterpillar’s sales were outside the U.S.,” noted Dr. James (Jim) Owens, Chairman and CEO of Caterpillar Inc. “Further, if it weren’t for a very strong export growth ... we would have far fewer jobs in the state of Illinois and in the United States.”



Jim Owens, Chairman and CEO, Caterpillar Inc.

He voiced grave concern over support for protectionism. “If we’re going to have leading companies that are American-based multi-nationals 20 years from now, [it’s] because we learned how to compete and win in the global marketplace. I tell people, if you want to protect me from competition, I can sell you a lower grade tractor at a higher price. If you like that, you ought to like protectionism.”



Matthew Slaughter, Professor of International Economics, Dartmouth College

Dr. Matthew Slaughter, Associate Dean of the MBA Program at the Tuck School of Business at Dartmouth University, noted that while economists have very different views, “there’s one issue that almost every economist agrees on ... [it’s] the benefit United States and other countries [receive] from having open borders and a regime of free trade.”

Companies can tell compelling stories that illustrate the benefits of trade, he said. However, the point is larger than that: “This year, our national income is going to be about a trillion dollars higher; a trillion dollars higher than otherwise if we hadn’t had the trade investments [we made] over the past four years. So [for] the average American family, the benefits related to that foreign investment are really important. It’s about good jobs and good wages Bottom line is, for families supported by those companies, they have higher paychecks.”

PANEL 4: *The 21st Century American Community*

INTRODUCTION

What are the keys to helping state and regional economic success in the 21st century global marketplace? In this panel moderated by Secretary Henry Paulson, experts pointed to foreign investment and open trade which they believe generate jobs with higher wages. Others underscored the necessity for modern infrastructure and other strategies, including:

- ★ increased air, rail and port capacity;
- ★ a highly skilled and educated workforce;
- ★ conditions that make a state attractive to investors; and,
- ★ regional economic development strategies that spur innovation.

Foreign Investments

Leaders in the United States may be divided when it comes to foreign investment and free trade, but Secretary Paulson pointed out that both lead to higher wages and a higher standard of living. Competition also promotes more innovation and more dynamic capitalism, factors that helps us to deploy investment to drive productivity and ultimately lift the standard of living. The statistics lend credence to his argument:

- ★ Five million U.S. jobs are associated with foreign-owned companies;
- ★ The wages for these five million jobs are 25 to 30 percent higher than the average U.S. wage;
- ★ The U.S. remains the world's biggest manufacturer;
- ★ Fourteen million U.S. manufacturing jobs now have seven times the output they did in 1950.



Panel 4 (Pictured L to R): Sandy K. Baruah, Assistant Secretary of Commerce for Economic Development; Mark Sanford, Governor of South Carolina; Carlos M. Gutierrez, Secretary of Commerce; Janet Napolitano, Governor of Arizona; Henry Paulson, Secretary of the Treasury; Richard M. Daley, Mayor of Chicago, Illinois; Mark Drabenstott, Director, RUPRI Center for Regional Competitiveness, University of Missouri-Columbia

Thinking Globally

Modernized infrastructure is essential to being a player in the global marketplace. Chicago Mayor Richard M. Daley pointed to recent expansions at Chicago's airports and upgraded freight connections – such as rail and truck – as keeping the economic blood flowing through Chicago, the region and country. Indeed, 50 percent of all the freight landed at the Port of Los Angeles comes to Chicago; the number is as high as 80 percent for the Port of Vancouver.

Education and Immigration

A recurrent theme throughout the summit was the need for better education and highly skilled workers. There are not enough Americans who can work in specialized technical fields. Limits in the availability of H-1B visas have made it more difficult for talented foreigners to come to the United States as students, workers, or entrepreneurs.

Arizona Governor Janet Napolitano took a front hand approach to the problem. When her state began discussing ways to develop regional economic development strategies that foster innovation, it concluded that change had to begin in school, as early as kindergarten.

It is important to increase rigor in the classroom, limit class size, strengthen technology, engineering, and emphasize math. Rather than bringing talent in, states can “grow their own” by using the linkage with their colleges and universities. This can result in greater productivity. However, academic communities in the United States have essentially been islands not integrated into state economic strategies.



Mark Drabenstott, Director, RUPRI Center for Regional Competitiveness, University of Missouri-Columbia

Regional Strength

The concept of thinking in terms of regions can make an enormous difference in growth. Dr. Mark Drabenstott, who heads the Center for Regional Competitiveness at the University of Missouri-Columbia, noted that by observing all the industrialized countries around the world over the last five years, the range in Gross Domestic Product (GDP) growth from strongest to weakest across all industrialized economies was five percent. However, by looking below the national level to the regional level, the range of performance is more than 17 percent.”

Regions represent the natural economic geographies bound together by workforce, transportation, business clusters, unique cultural and landscape features. In the United States, most regions are multi-county. One aspect that could tip a region into competitiveness is innovation. “This means every U.S. region has to find better things to do instead of just doing old things better,” Dr. Drabenstott said.

South Carolina Governor Mark Sanford said that his state’s “long tradition of making lemonade out of lemons” makes all the difference. He said that his state has a long tradition of welcoming foreign trade, even at a time “before globalization was



Mark Sanford, Governor of South Carolina

“FOREIGN INVESTMENT AND TRADE CREATES JOBS, LEADS TO HIGHER WAGES, AND A HIGHER STANDARD OF LIVING. COMPETITION ALSO PROMOTES MORE INNOVATION ...”

—Henry Paulson,
Secretary of the Treasury



Henry Paulson, Secretary of the Treasury

cool.” Governor Sanford added, “With Charleston and the port, we have been connected to the rest of the world for quite some time.”

However, competition is always part of the equation. As a region or state, it is critical to have conditions that are conducive for business. To be competitive, an area must compare and be more competitive in areas such as workers’ compensation rates, legal climate, taxes, infrastructure, port capacity, and other aspects that benefit business.

Global Public Awareness

Foreign investors do not always have accurate knowledge about the United States and its economic geography. Sometimes, stereotypes must be broken down to gain a competitive edge.

“From my standpoint, one key thing I focus on is educating the world about Arizona,” said Governor Napolitano. “Around the world, they think of Arizona, it’s the desert, cowboys and Indians, western movies, that sort of thing. [I help potential investors] realize Phoenix is the fifth largest city in the United States; there’s a large growing bioscience industry there; optics Solar is a growth area for us for obvious reasons. And there’s the kind of institutions and workforce underlying that that will support these businesses.”



Janet Napolitano, Governor of Arizona



Richard M. Daley, Mayor of Chicago, Illinois

Welcoming Outside Investment

But what about foreign investors who fear they may not feel welcome in the United States? Secretary Paulson cited several controversial agreements involving funding public infrastructure through foreign investment.

This is not a problem in Chicago, said Mayor Daley. “This city was founded by immigrants. So we welcome immigrants in this city. We welcome foreign investments.”

He also noted, it does not hurt to speak the investors’ language. Chicago public school systems teach a second language. Seven thousand public school students study Chinese, some are learning Arabic, and others will learn Russian next year. “You have to open the eyes to citizens to say these are job opportunities for your children. If they learn a second language, it gives them great opportunities,” Mayor Daley commented.

TOWN HALL SESSION



Town Hall Session (Pictured L to R): Richard M. Daley, Mayor of Chicago, Illinois; William Daley, Vice Chairman, JPMorgan Chase & Co.; Carlos M. Gutierrez, Secretary of Commerce; James Owens, Chairman and CEO, Caterpillar Inc.; Craig Barrett, Chairman of the Board, Intel Corporation

INTRODUCTION

Many of the Summit's participants took a fresh look at the major issues that are both barriers to and opportunities for U.S. competitiveness, such as education, immigration, health care reform and critical infrastructure. They also exchanged ideas and suggestions with the audience about what they can do in their own communities and industries to stimulate competition and take advantage of the global marketplace. Together this formed a strategic framework for moving forward.

Education

The need for a knowledgeable and skilled workforce was one of the dominant themes throughout the Summit and was no exception at the Town Hall Session. Chicago Mayor Richard M. Daley said that the quality of education, from early childhood and beyond, should be a top priority in boosting competitiveness. His brother William Daley, former Secretary of Commerce and current Vice Chairman of J.P. Morgan Chase, agreed. Dr. James Owens, Chairman and CEO of Caterpillar Inc., added "we need our school system to create innovation to stay on the cutting edge."

However, K-12 schools and colleges and universities are not the only places where learning is critical and opportunities exist. Dr. Craig Barrett, Chairman of the Board of Intel Corporation, pointed out: "The half-life of an employee in our industry is about three or four years. You have to retrain on a continuous basis."

A Global Perspective

Bringing a global perspective to competition and economic growth is essential in today's marketplace where protectionism and old ways of thinking can be a distinct disadvantage. Secretary of Commerce Carlos M. Gutierrez pointed to the importance of looking at competition from a fresh angle: "This idea of the global mindset ... it's the opposite of economic isolationism We are part of the globe, and should stop looking inward, but look out."

Infrastructure

However, competition is more than just ideas and policy. It may also require bricks and mortar and innovative thinking. For example, one of the busiest border crossings in the United States is Detroit, where millions of dollars of goods and products are passed between the United States and Canada every day and provides a competitive advantage. Increased security makes border crossings more time consuming. "What would you recommend the government try to do to balance national security with economic security?" a member of the audience asked.

"I think the key for us ... is investing in the infrastructure so goods and services move efficiently," Owens responded. Secretary Gutierrez said that this issue was at the top of the agenda when leaders from the United States, Canada and Mexico met recently to discuss adding capacity at the northern border, southern border, and at U.S.

seaports. He noted that we need a more strategic, long-term view because trade is going to double over the next 10 years.

Health Care Inefficiencies

Another challenge is the rising cost of health care and the current system's inefficiencies. Dr. Barrett noted that while there is much discussion on ensuring that more people get health insurance, there is little focus on delivering better health care at a lower cost through the effective application of technology, as is common in other industries. For example, "you can only reimburse doctors for a face-to-face meeting," he said. For this reason, "there's... technology that has modernized every other industry in the world which, however, is not being applied in the health care side." A simple change in policy could give Medicare patients access to specialized care and second opinions through the use of telemedicine which eliminates the cost and time of travel.

Advice to the Next President

A representative of the St. Louis Chamber of Commerce asked how the members of the panel would advise the next U.S. President on immigration, free trade, and investment in innovation.

"I don't think you can separate [those issues]," said former Secretary Daley. Addressing the health care system would also alleviate public anxiety, he commented. "[T]here are legitimate anxieties and concerns about globalization going on, and trade is one place you can blame for anything... we have to look at some of the undercurrent [issues] that we can address that can hopefully, over time, begin to alleviate some of [those] anxieties."

Policymakers should see the world and compare what is going on abroad, said Dr. Barrett. "The need to see on the ground what's happening in China, Vietnam, in Brazil, in India; the hot spots of the world. If you see what's happening there you can't come back and say we're okay... it's not simple. You have to see what you're competing with."

Dr. Owens admitted that trade is a hard sell in the heartland, but must be addressed. "The public needs to be convinced that that being internationally engaged is key to our country's future and success," he said. "I think the American CEOs have got to get back out on the biscuit circuit at the Rotary Club, helping the public really understand [that] we have got to look for bipartisan solutions that help us compete in the world market."

Attracting New Industries

The audience also expressed interest on suggestions as to how cities can attract new and innovative industries.

First, said Mayor Daley, is having a good workforce. Second is technology. "Specialized manufacturing is coming back," he said. Third is transportation. "We think air transportation cargo will be the future."

He also proposed looking beyond the government to improve cities. "[Look] outside as a city to lease your public presence. Basically rebuild your ... schools, parks, water, sewer, streets. Really make a city better on a daily basis If you don't have the help of the federal government, local government has to do it, and you have to be creative."

Acting Locally

One member of the audience asked what each individual could do in their community to boost competitiveness.

In response, Mayor Daley commented: "I hope you go to your business community and have a discussion on free trade and competitiveness. At the same time, go to your high schools. Go to your junior colleges. Talk about how important the world is to the United States."

Concluded Secretary Gutierrez, "The magic of this country is that every day, we go out to create new wealth, new prosperity, new jobs, and give everyone an opportunity to move up. That's why we are the greatest country in the world."

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PHOTO GALLERY



1. Carlos M. Gutierrez, Secretary of Commerce. 2. Henry Paulson, Secretary of the Treasury; and Richard M. Daley, Mayor of Chicago, Illinois. 3. Matthew Slaughter, Professor of International Economics, Dartmouth College; and Robert Lane, Chairman and CEO, Deere & Company. 4. Jim Phillips, Managing Partner, Pinnacle Investments, LLC; and audience member Eric Cromwell, President, Tennessee Technology Development Corporation at Summit reception- hosted by the Illinois Coalition for Jobs, Growth & Prosperity. 5. William Daley, Vice Chairman, JPMorgan Chase & Co.; and Kelly A. O'Brien, Director of Summit Operations. 6. Sandy K. Baruah, Assistant Secretary of Commerce for Economic Development and Summit Emcee.



1. John Engler, President and CEO, National Association of Manufacturers; and Jim Owens, Chairman and CEO, Caterpillar Inc.
2. Steve Chen, Co-founder and CTO, YouTube; and Bryan Borlik, Deputy Director of Public Affairs for Economic Development.
3. Audience members in the Ballroom at the Fairmont Hotel Chicago at the 2008 NSAC.
4. Foreground- Jerry Roper, President and CEO, Chicagoland Chamber of Commerce; and audience member. Background- Jeff Mays, President, Illinois Business Roundtable.
5. Summit Partner, Microsoft, made the Across America Innovation Truck available for Summit guests to tour.
6. Maria Bartiromo, Anchor/Editor, CNBC; and Beth Williams, President and CEO, Roxbury Technology Corporation.

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